

# WISCONSIN DEPARTMENT OF REGULATION & LICENSING



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STATE OF WISCONSIN  
BEFORE THE REAL ESTATE APPRAISERS BOARD

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IN THE MATTER OF DISCIPLINARY	:	
PROCEEDINGS AGAINST	:	<b>FINAL DECISION AND ORDER</b>
<b>GARY H. PALUSZCYK,</b>	:	LS0805283APP
RESPONDENT.	:	

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Division of Enforcement case file 07 APP 139

The parties to this action for the purpose of Wis. Stats. sec. 227.53 are:

Gary H. Paluszcyk  
N20 W29986 Glen Cove Rd.  
Pewaukee, WI 53072

Wisconsin Real Estate Appraisers Board  
P.O. Box 8935  
Madison, WI 53708-8935

Department of Regulation and Licensing  
Division of Enforcement  
P.O. Box 8935  
Madison, WI 53708-8935

### PROCEDURAL HISTORY

The parties in this matter agree to the terms and conditions of the attached Stipulation as the final disposition of this matter, subject to the approval of the Wisconsin Real Estate Appraisers Board (“Board”). The Board has reviewed this Stipulation and considers it acceptable. Accordingly, the Board adopts the attached Stipulation in this matter and makes the following Findings of Fact, Conclusions of Law, and Order:

### FINDINGS OF FACT

1. Gary H. Paluszcyk is licensed in the State of Wisconsin as a Real Estate Appraiser having license # 4-1862, first issued on November 3, 2004.
2. Mr. Paluszcyk’s most recent address on file with the Department of Regulation and Licensing (“Department”) is N20 W29986 Glen Cove Rd., Pewaukee, WI 53072.
3. On September 17, 2007, Mr. Paluszcyk applied to the Real Estate Appraisers Advisory Committee for review of his Appraisers Qualifying Board (AQB) compliant hours and he supplied copies of three appraisal reports as requested by the committee for review.
4. The appraisal report prepared by Mr. Paluszcyk for property at 2911 North 6<sup>th</sup> Street in Milwaukee contained numerous violations of the Uniform Standards of Professional Appraisal Practice (USPAP), as follow:

Standards Rule (S.R.) 1-4a Sales Comparison Approach

The adjustments made are not supported with market evidence; merely stating the amount of the adjustment does not constitute market support for the adjustment; in particular, a \$10 per square foot size adjustment seems too low, absent any support for the figure. For houses selling for \$90 to \$120 per square foot, the contributory value of incremental square footage is likely more than \$10 per square foot. Market support needs to be included to substantiate this \$10 per square foot adjustment.

#### S.R. 1-4b Cost Approach

Inadequate support is provided for site value. The heading in the report states:

"Support for opinion of site value (summary of comparable land sales or other methods for estimating site value)." It is inadequate for the appraiser to state "In estimating site value, the appraiser has relied on personal knowledge of the subject local market. This knowledge is based on assessed land values, prior and/or current analysis of site sales and/or abstraction of site values from sales of improved properties."

The indicated value by the Cost Approach (\$131,700) is substantially higher than the indicated value by the Sales Comparison Approach (\$114,700) and the concluded market value (\$114,000). For a 107-year old house with an effective age concluded at only 20-years suggests that the effective age is actually higher.

Inadequate support is provided for the effective age conclusion.

#### S.R. 1-4c. Income Capitalization Approach

Market rent concluded at \$1,050 per month whereas \$1,200 was used in the Income Capitalization Approach. This discrepancy was not explained in the report. Using the market rent conclusion of \$1,050 and the concluded GRM of 105.57 results in an indicated value of \$111,000 which is substantially lower than the appraiser's indicated value of \$126,700 and much closer to the concluded market value of \$114,000.

Actual rents were stated as not being available yet they were included in the Rent Schedule at \$600 per unit (\$1,200 total)

#### S.R. 1-5 Subject Listing and Sale Information

USPAP requires the analysis of all agreements of sale, options and listings as of the effective date of the appraisal as well as all sales within three (3) years of the appraisal date, not merely a statement that the property sold for a certain price.

The report states that the subject has not been sold or transferred within the 36 months prior to the appraisal date and then provides contradictory information pertaining to a May 2005 sale a \$72,500.

No analysis or explanation of the prior sale price versus the current market value was provided.

#### S.R. 2-1 Report

S.R. 2-1b states that the written report contain sufficient information to enable the intended users of the appraisal to understand the report properly. Overall, the report contained minimal descriptions of the reasoning and support for the adjustments, analysis, opinions and conclusions. The inclusion of additional addendum pages explaining the appraiser's reasoning and providing market support for adjustments would have strengthened the report and conclusion.

#### S.R. 2-2 Reporting Options

S.R. 2-2 states that an appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in USPAP. The report contained very little reasoning and analysis.

5. The appraisal report prepared by Mr. Paluszcyk for property at 1447 South 71<sup>st</sup> Street in West Allis contained numerous violations of USPAP, as follow:

#### S.R. 1-4a Sales Comparison Approach

The adjustments made were not supported with market evidence; merely stating the amount of the adjustment does not constitute market support for the adjustment.

#### S.R. 1-4b Cost Approach

Inadequate support is provided for site value. No comparables or analysis support for the land value was provided in the report. The heading in the report states: "Support for opinion of site value (summary of comparable land sales or other methods for estimating site value)." It is inadequate for the appraiser to state "In estimating site value, the appraiser has relied on personal knowledge of the subject local market. This knowledge is based on assessed land values, prior and/or current analysis of site sales and/or abstraction of site values from sales of improved properties."

The indicated value by the Cost Approach (\$142,000) is substantially higher than the indicated value by the Sales Comparison Approach (\$131,000) and the concluded market value (\$131,000). For a 109-year old house with an effective age concluded at only 15-years suggests that the effective age is actually higher.

Inadequate support provided for the effective age conclusion.

#### S.R. 1-5 Subject Listing and Sale Information

USPAP requires the analysis of all agreements of sale, options and listings as of the effective date of the appraisal as well as all sales within three (3) years of the appraisal date, not merely a statement that the property sold for a

certain price.

The subject property is reportedly under contract to be sold for \$121,500 and the list price was \$124,900; these compare to a market value conclusion of \$131,000. No analysis or explanation of the differential between the contracted sale price, list price and market value conclusion was provided.

#### S.R. 2-1 Report

S.R. 2-1b states that the written report contain sufficient information to enable the intended users of the appraisal to understand the report properly. Overall, the report contained minimal descriptions of the reasoning and support for the adjustments, analysis, opinions and conclusions. The inclusion of additional addendum pages explaining the appraiser's reasoning and providing market support for adjustments would have strengthened the report and conclusion.

#### S.R. 2-2 Reporting Options

S.R. 2-2 states that an appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in USPAP. The report contained very little reasoning and analysis.

6. The appraisal report prepared by Mr. Paluszcyk for property at N60 W23744 Juniper Lane in Sussex contained numerous violations of the Uniform Standards of Professional Appraisal Practice (USPAP), as follow:

#### S.R. 1-4a Sales comparison Approach

The adjustments made were not supported with market evidence; merely stating the amount of the adjustment does not constitute market support for the adjustment. In particular, a \$20 per square foot size adjustment seems too low, absent any support for the figure. For houses selling for \$140 to \$155 per square foot, the contributory value of incremental square footage is likely more than \$20 per square foot. Market support needs to be included to substantiate this \$20 per square foot adjustment.

#### S.R. 1-4b Cost Approach

Inadequate support is provided for site value. The heading in the report states:

"Support for opinion of site value (summary of comparable land sales or other methods for estimating site value)." It is inadequate to the appraiser to state "In estimating site value, the appraiser has relied on personal knowledge of the subject local market. This knowledge is based on assessed land values, prior and/or current analysis of site sales and/or abstraction of site values from sales of improved properties."

The indicated value by the Cost Approach (\$349,000) is substantially higher than the indicated value by the Sales Comparison Approach (\$328,000) and the concluded market value (\$328,000). For a 17-year old house with an effective age concluded at on 5-years suggests that the effective age is actually higher.

Inadequate support provided for the effective age conclusion.

#### S.R. 2-1 Report

S.R. 2-1b states that the written report contain sufficient information to enable the intended users of the appraisal to understand the report properly. Overall, the report contained minimal descriptions of the reasoning and support for the adjustments, analysis, opinions and conclusions. The inclusion of additional addendum pages explaining the appraiser's reasoning and providing market support for adjustments would have strengthened the report and conclusion.

#### S.R. 2-2 Reporting Options

S.R. 2-2 states that an appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in USPAP. The report contained very little reasoning and analysis.

## **CONCLUSIONS OF LAW**

1. The Wisconsin Real Estate Appraisers Board has jurisdiction to act in this matter pursuant to section 458.26 (3) of the Wisconsin Statutes and is authorized to enter into the attached Stipulation pursuant to sec. 227.44(5), Wis. Stats.

2. Respondent Gary H. Paluszcyk is subject to discipline for having violated USPAP in his appraisals and the preparation of his reports, under Wis. Stats. sec. 458.26 (b) and (c) and Wis. Adm. Code sec. RL 86.01 (1) and (2).

## **ORDER**

NOW, THEREFORE, IT IS ORDERED that the attached Stipulation is hereby accepted.

IT IS FURTHER ORDERED that Gary H. Paluszcyk is hereby REPRIMANDED.

IT IS FURTHER ORDERED that within six months of the date of this Order, Gary H. Paluszcyk must successfully complete two of the following three courses:

- a course in Basic Appraisal Principles (approximately 30 hours),
  - a course in Basic Appraisal Procedures (approximately 30 hours),
  - a course in Residential Sales and Income Approach (approximately 30 hours),
- including passing any final examination at the end of either course. The courses may be taken through the Appraisal Institute, the McKissock Real Estate Appraisal School, the Appraisal Education Academy, or another educational institution approved by the Department of Regulation and Licensing. Mr. Paluszcyk shall submit proof of successful completion in the form of verification from the institution providing the education to the following address:

Department Monitor  
Department of Regulation and Licensing,  
PO Box 8935, Madison, WI 53708-8935.  
Fax (608) 266-2264  
Tel. (608) 261-7904

None of the education completed pursuant to this order may be used to satisfy any continuing education requirements that are or may be instituted by the Board or the Department of Regulation and Licensing.

In the event Mr. Paluszcyk fails to successfully complete the educational requirements in the manner set forth, or to obtain an extension of time for good cause, his Real Estate Appraisers license shall be suspended without further hearing and without further Order of the Board, and said suspension shall continue until further Order of the Board or until he provides to the Department proof of completion of all said educational requirements.

IT IS FURTHER ORDERED that Gary H. Paluszcyk pay the Department's costs of this matter in the amount of **\$543.72** within 60 days of the date of this Order. Payment shall be made by certified check or money order, payable to the Wisconsin Department of Regulation and Licensing and sent to the Department Monitor. In the event Mr. Paluszcyk fails to pay the costs within the time and in the manner as set forth above, his Real Estate Appraisers license shall be suspended without further notice, without further hearing, and without further Order of the Board, and said suspension shall continue until the full amount of said costs have been paid to the Department of Regulation and Licensing.

IT IS FURTHER ORDERED that file 07 APP 139 be closed.

Dated this 28<sup>th</sup> day of May, 2008.

## **WISCONSIN REAL ESTATE APPRAISERS BOARD**

By: Marla Britton  
A member of the Board